

# Essay on construction procurement process

[Sociology](#), [Shopping](#)



## **Introduction**

This paper will discuss the two major forms procurement that is involved in construction procurement process. These two major types of construction procurement process are bidding and shopping. This paper will highlight the disparities between the two types of construction procurement process as well as provide the reader with a proper understanding of the aspects that are attributable to the two processes.

## **Bidding in the construction procurement process**

Bidding is the process of offering to procure an item or items at a price being offered by a bidder. In the bidding process, an individual that places the highest bid normally buys the item. However, in some bidding processes such as tendering an individual that offers the lowest bidding price and has the capacity to effectively carry out the requirements of the tender wins the tender.

In the construction procurement process there are various types of bids. A lump sum bid is one bid covering all cost not including a breakdown of costs all cost, for instance cost of labour, cost of equipment, cost of overheads, cost of materials, and cost of services. This type of a bid usually take account of the amount fees payable to a contractor upon completion of components of work consisting of the job. For a lump sum agreement, the proprietor to all intents and purposes assigns all the peril to a contractor. The contractor is in return anticipated to seek for a high mark-up with the intention of taking care of unanticipated contingencies. The supplier that is being contracted in a lump sum contract will be charged with the

responsibility of ensuring the job is well executed and providing its own resources and techniques to accomplish the task.

A design bid build is a construction procurement process whereby a proprietor involves two parties in the bidding process. A proprietor involves the professional that will be charged with the responsibility of designing the building to be constructed and the professional that will be tasked with the responsibility of implementing the winning design through construction. This type of bidding process has three phases namely; design phase, bidding phase and construction phase. During the design phase the proprietors engage architects in order for them to present suitable proposed designs for the building to be constructed. The proprietor selects a design and seeks the expertise of an architect in the development of the tendering document that will be used to select a construction company. During the bidding stage the proprietor invites tenders from potential construction companies. The tenders are assessed and a construction company is awarded the tender. During the construction stage this is where the design chosen is implemented through construction of the building.

A Cost-Plus-Fee Bid is a form of bid that is also referred to as a time and materials bid. This type of a bid necessitates the proprietor to cover the actual costs of materials and labours. The contractor adds construction fees payable by the proprietor on top of these stated costs. A cost plus fee bid has to be very much detailed. The receipts and the accurate cost of labour and cost of materials, have to be provided to the proprietor by the contractor. Most of the time these form of agreements are open ended. The

drawback to a cost plus fee contract is that a proprietor may not be able to accurately determine the total cost of the undertaking before the project begins. Vivid explanations of what costs will be considered to be cost that are reimbursable should be given. This will help to minimize unnecessary increase total costs. Prior to commencement of the project, the proprietor and contractor are supposed to agree on forms of labour to be covered as expenditures, in addition to overhead costs related to the business of the contractor.

A guaranteed maximum price bid is a form of bid that puts a roof on the expenses incurred within a cost plus fee bid. A guaranteed maximum price bid favours the proprietor. If the undertaking costs a lot more than the estimated upper limit, the contractor is required to soak up the additional costs. This can encourage the construction company to work within the budget.

A unit price bid is most regularly applied in big civil undertakings, such as construction of roads. This type of bid necessitates the proprietor to provide the form of quantities of construction materials to be bid upon. The construction company then presents bids on a unit cost of the construction materials. During the execution of the project, the quantity of materials might possibly change, however the construction company is constrained to the initial bid per unit stated on the contract.

## **Shopping in the construction process**

Shopping is a procurement technique founded on contrasting price quotations received from a number of suppliers, more often than not a

minimum of three, to guarantee reasonable prices. Shopping is a suitable technique for acquiring readily available standard requirement merchandise or off the shelf commodities that have a small price tag. Applications for quotations shall specify the quantity and description of the commodities, over and above expected delivery place and time. Quotations can be presented by facsimile, post, email or telex. The assessment of quotations might follow sound private or public sector practices of the procurer. The conditions of the agreed offer will be included in the document known as a purchase order.

Bid shopping take places when a universal contractor makes known the bid price of a supplier or a subcontractor to its rivals in an effort to get hold of a lower bid than the ones on which the universal contractor founded its bid to the proprietor. Bid shopping can also be said to take place when a general contractor makes use of the lowest bid obtained to challenge the other sub - contractors to give lower bids. Bid pending is a close comparative of bid shopping. Bid peddling takes place when a sub - bid of a subcontractor is not chosen for the agreement's bid, and the subcontractor puts forward a recommendation to decrease its price with the intention of inducing the contractor to change it after granting of the contract. The main real disparity between bid peddling and bid shopping is the party that instigates the revelation of the initial low bid price. A universal contractor will look for a low bid, but a subcontractor will promote its bid.

Various bid shopping regulations exist, depending on the form of undertaking and the rules in the area where the undertaking will be implemented. There are areas that prohibit bid shopping due to the fact that it can encourage

poor workmanship or the utilization of low standard materials to raise returns for the contractor. This form of shopping in the construction process may possibly create unjust rivalry among subcontractors and contractors contesting for contracts. At times, a general contractor may remunerate its workers below the established wage rate to raise the levels of income. Contract regulations in some regions prohibit any engagement in bid shopping and enforce heavy fines for organisations that go against the laws. These regulations may necessitate that a main contractor to make known the names of subcontractors that are part of the undertaking. Upon awarding of the bid, these subcontractors are not in a position to be switched to organisations that will carry out the task at a lower price. If infringements take place, the whole contract can be considered null and void, and penalties might be imposed.

## **Differences between bidding and shopping in the construction process**

In the construction process, the various bidding techniques are implemented through a bidding process that is normally secretive. The bids are submitted through a universal channel that presents all the bidders with equal opportunity of winning the tenders. The tenders are normally evaluated by selected committee of experts. Bid shopping on the other hand takes place through a process that is purported to be confidential. However this is never the case due to the fact that the general contractors normally leak the bidding prices of the subcontractors in order to obtain a lower price.

Bidding in the construction process is usually legal in all regions throughout the world. This is because procurement best practices are usually put into

consideration during the carrying out of the bidding process. All the parties involved are normally presented with an equal opportunity of winning the tender to undertake the project. However, shopping in the construction procurement process is usually prohibited in many regions across the world. This is because it is deemed to be an unfair way of awarding tenders to subcontractors.

Shopping in the construction procurement process is usually characterised by the exploitation of the suppliers or contractors. This is mainly as a result of leaking of information pertaining to the bidding prices of the competing contractors and suppliers. The leakage of the bidding prices may be misleading thus leading to the lowering of prices by the contractors in order to be able to win the tenders. On the other hand bidding in the construction procurement process ensures that the suppliers and contractors that are awarded the contracts are the ones that have the most reasonable prices and rather not the lowest prices.

Shopping in the construction procurement process may lead to the construction of weak buildings. This is because the contractors may have quoted a price that is very low such that their profits are minimized significantly. In light of this fact, the contractors may decide to utilise low quality materials in the implementation of the construction project. The contractors may also employ a small number of employees or employees that are not well qualified for the job in order to reduce the total cost of the project. Bidding in the construction procurement process contributes immensely to the construction of buildings that are strong. This is because

the contractor that wins the tender has enough funds that will enable them to properly construct the building. Such a contractor is able to hire well trained and experienced personnel as well as utilize high quality materials in the construction of the building. This leads to the construction of a high quality building.

## **Conclusion**

Bidding is more effective than shopping in the construction procurement process this is due to the factors that have been discussed in this paper. More organisations should employ the bidding process because it is legal in most countries as well as it promotes best practise in construction procurement process.

## **Work cited**

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